



# Department of Local Government Finance

## *The Communicator*

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Designed to Educate and Inform about Issues Relating to Property Taxation and  
Local Government Finance in the State of Indiana

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### **MESSAGE FROM COMMISSIONER BETH HENKEL**



Now that nearly all of Indiana's 92 counties have completed the 2002 General Reassessment, it is time to focus on getting all counties back on track toward the certification of budget orders on or before February 15, 2005.

As you know, the Department of Local Government Finance is conducting fall budget hearings. It is crucial that 2004 pay 2005 assessed value information be provided in a timely manner. With the commitment of local assessing officials, county auditors, and county treasurers we can accomplish this goal.

We continue to examine the results of reassessment. The independent equalization study conducted by the Indiana Fiscal Policy Institute reports that reassessments in 31 counties have now been analyzed. Evidence presented to the Tax Equalization Steering Committee to date indicates the conversion to market-value based assessments have been accurately done.

Governor Kernan will ask the General Assembly to continue looking at the effects of reassessment in the upcoming session. This summer, the Governor proposed a 2 percent "circuit breaker" for Hoosier homeowners hit the hardest by the 2002 court-ordered property tax reassessment, and he will ask legislators to put a permanent circuit breaker in place. Thirty-five states currently have circuit breakers of some type in place to protect homeowners.

Another study the Department is conducting looks at the feasibility of creating a common and uniform property tax computer system. It is available on the DLGF website.

*Continued on page 2*

## STATE OFFERS RELIEF OPTION FOR SCHOOLS FACED WITH TRANSPORTATION FUNDING CRISIS

*Annisa Rainey, Communications Director*

The State of Indiana's Department of Local Government Finance (DLGF) announced that 39 school corporations would be offered an option for relief from a funding crisis that caused some school districts to face the choice of eliminating school bus transportation for many students or charging students for the bus services they have been provided for years.

As a result of legislative changes in the last two legislative sessions, many public school transportation operating fund budgets have been significantly reduced for 2004. Absent relief, school districts that lack funds to transfer to the transportation-operating fund might have to shut down or severely limit their transportation program.

"These legislative changes were not intended to cause the elimination of essential services," DLGF Commissioner Beth Henkel said. "It is our hope that these temporary adjustments will provide short-term relief for those districts facing the probability of eliminating essential transportation services."

The DLGF has authority to make temporary adjustments to the tax unit maximum levy to avoid shortfalls that would have the unintended consequence of eliminating essential services and programs.

Of the State's 294 school corporations, 68 applied (two subsequently withdrew) to the DLGF for a temporary transportation operating fund adjustment for 2004 pay 2005. The Department, in conjunction with the State Budget Agency, examined several criteria to determine eligibility.

Those criteria included:

- loss of more than .80 percent of total budget due to the loss of the state transportation grant;
- loss of more than 14 percent of the total transportation budget because of the loss of the state transportation grant; or
- actual operating budget loss when the transportation grant is subtracted from the increase in '04 over '03 tuition support.

Every school corporation that met one or more of the above criteria received relief in the appropriate amount.

If they so choose, qualifying school corporations that demonstrate significant need may levy up to the lost state support, taking into account any operating balances in funds that could be transferred.

"Locally elected school boards have a clearer understanding of the needs of their schools, counterbalanced against the concern for increased costs," Henkel said. "School officials will need to weigh the need for safely transporting students against the potential increase in local property taxes."

Several of the schools that did not meet the criteria were from counties that were far behind in the 2002 reassessment. These schools primarily expressed concerns about having to borrow temporarily to avoid shortfalls in funds. School corporations experiencing cash flow problems, however, may seek relief through tax anticipation warrants or temporary loans. Interest on these temporary loans is repayable through debt service.

Another alternative method of relief lies in the regular excessive levy appeal process. School corporations with transportation budgets that will increase more than 10 percent from last year due to rising gas prices or other transportation related issues, and that meet other requirements, may also appeal to the Department of Local Government Finance for consideration of a levy increase.

### MESSAGE FROM COMMISSIONER BETH HENKEL *continued from page 1*

During the information-gathering phase of the study, we asked for your input as to how our current model can be re-engineered and how a statewide system could benefit the work you do. The goal of this study is to find ways to improve products available to assessors and to require vendors to provide superior products to Indiana and local governments.

The Department has facilitated a working group to implement the provisions of HB 1005, section 13, which requires that all counties for pay-2008 modify property tax statements to provide additional information on how tax dollars are being used and by which tax units.

And, the Department has finished the proposed annual adjustment rule that was required by IC 6-1.1-4-4.5. The purpose of annual adjustments is to update real property values between reassessments. Read more about the proposed rule in this issue.

## **LAKE COUNTY WHITE PAPER**

*Annisa Rainey, Communications Director*

At the request of Lake County's state lawmakers the Department of Local Government Finance has published a detailed report answering the questions as to how the county's Big 4 industrials were assessed and substantiating the assessment methodology.

The 14-page report, *Overview to the Valuation of the Lake County Industrial Facilities Greater than \$25M in Value for the 2002 General Reassessment*, includes 17 pages of supporting charts and excerpts from state law clarifying the steps taken and providing supplementary information regarding the industrial assessments.

Legislation introduced by members of the Lake County delegation and passed by the Indiana General Assembly in 2001 directed the DLGF to assess all industrial facilities within Lake County with an estimated true tax value (TTV) of greater than \$25 million dollars for the 2002 General Reassessment.

Four properties qualified as industrial facilities as defined by statute: BP America Refinery and the Ispat Inland, International Steel Group, and United States Steel integrated steel mills.

An Adobe Acrobat file of the 42-page document may be downloaded from the Department's website at: <http://www.in.gov/dlgef/LakeCo/Lakecounty.pdf>.

## **GETTING BACK ON TRACK FOR 2005**

*Melissa Henson, Budget Director*

With the 2002 General Reassessment nearly over, the Department of Local Government Finance is encouraging all counties to get back on track toward the certification of budget orders on or before February 15, 2005.

Accomplishing this task requires the commitment of local assessing officials, county auditors, county treasurers and the Department of Local Government Finance.

As the Department conducts fall budget hearings, it is imperative that 2004 pay 2005 assessed value information be provided in a timely manner. Having accurate assessed values provides taxpayers and local officials with a more realistic expectation of tax rates for the ensuing year.

Taxpayers place greater scrutiny on the budget process at the local level and expect the published budget information to reflect a true picture of budgets, tax rates and tax levies. Local officials use assessed value information to explain tax rate impact in the various funds.

The DLGF is willing to assist with the assessed value certification process by providing additional technical or other training that would be beneficial in accomplishing this goal. Achieving a timely certification of assessed values benefits taxpayers, local officials and the Department of Local Government Finance by reducing interest expense to taxing units and taxpayers, eliminating abstract reworks, and effectively achieving statutory requirements.

## **2004 EXEMPTION REVIEW**

*Heather Scheel, General Counsel*

A big THANKS to all counties that submitted the required exemption data set by August 1. If your county is still in need of a diskette to help with gathering the data the Department needs to begin performing its audit of all 2004 Indiana exempt parcels, please contact Heather Scheel at (317) 232-5895 to ensure a copy is sent to you.

In the near future, the Department's assessment field staff representatives will be contacting each office to establish a convenient time to review applications and make recommendations. Until further notice, please keep all paper copies of approved Form 136 exemption applications in the assessor's office, do not forward to Indianapolis.

## **NEW FORMS AVAILABLE ON WEBSITE**

*Annisa Rainey, Communications Director*

As you know, many of the forms accepted by the Department of Local Government Finance and the Indiana Board of Tax Review are available on the Internet. Anyone with a current version of the free Adobe Acrobat Reader can download forms through the State Forms Catalog link at <http://in.gov/icpr>.

The new Form 51781, which discloses Indiana property tax exemptions, can now be downloaded from the website with this link:  
<http://www.state.in.us/icpr/webfile/formsdiv/51781.pdf>.

The form provides information about deductions and other property tax benefits available under State law and explains eligibility and application requirements. Closing agents must provide the form to customers closing a mortgage loan or refinancing transaction on a single-family residential property after December 31, 2004.

Also new is the sales disclosure form available at <http://www.in.gov/icpr/webfile/formsdiv/46021.pdf>. This form is intended to make the electronic submission of sales disclosure data easier.

You can use and accept this form immediately, however, you can also continue to accept the old form until January 1, 2005, when all counties will be statutorily required to submit their sales disclosure data to us electronically. This phase-in period should allow counties to avoid problems from overlapping sales, and get rid of old forms while transitioning to the new forms.

The DLGF anticipates that this new form will make it easier for those counties using a scanning solution to convert data to electronic data. Please note, we are also looking into direct electronic submission of this information as well.

## **SALES DISCLOSURE FORM FREQUENTLY ASKED QUESTIONS**

*by Nancy Stassen, Operations Director*

### **1. Why are sales disclosures required?**

Sales disclosures are required by law (IC 6-1.1-5.5). The forms are used by local assessing officials and the state for a variety of purposes including sales ratio studies, equalization, and annual market adjustments of assessed values in non-reassessment years beginning with 2005 values for taxes payable in 2006.

### **2. Why do the revised forms contain so much information?**

The forms were revised in response to requests from local officials, title companies, software vendors, and professional appraisers and in consideration of overall data needs. The form attempts to collect information required to describe a parcel and determine the validity of its sales price for use in studies.

### **3. Is it necessary for filers to complete all fields on the form?**

All fields that apply to the sale should be completed. County auditors are responsible for ensuring that all parties to the conveyance have completed and signed the form as required. County auditors should not accept incomplete sales disclosure forms. Under Indiana law, a conveyance document may not be accepted or recorded without a properly completed sales disclosure form. Note that while indicating that certain conditions/items will result in not paying a sales disclosure filing fee, the buyer or seller is still responsible for completing the form in full. There will be instances when no sales condition applies; the Auditor should still accept the signed form.

### **4. What is the sales disclosure filing fee? Is a fee to be collected for every parcel?**

The sales disclosure filing fee is \$10. This revision of the form did not change the filing fee. The fee increased from \$5 to \$10 beginning 1/1/04. A multi-parcel transaction should be considered one conveyance and a single fee collected.

### **5. What is the purpose of the barcode?**

The barcode identifies the form as a sales disclosure form and indicates the beginning of the form. It is used in counties that have chosen to collect sales data using a scanning software application.

### **6. Is a Power of Attorney form required from all buyer/seller representatives for purposes of the signature section of the sales disclosure form?**

A bank or title company must have a Power of Attorney form to be an authorized representative for the buyer or seller, but an attorney representing either party is not required to have a power of attorney.

**SALES DISCLOSURE FORMS  
FREQUENTLY ASKED QUESTIONS**  
*Continued from page 4*

**7. If there are multiple buyers/sellers, do they all have to sign the sales disclosure form?**

One buyer and one seller signature is sufficient. However, all buyers and sellers may sign the form if they so desire.

**8. How should filers complete acreage information for irregularly sized lots (i.e. those where acreage is not apparent or easily calculated from the surveyor's description)?**

Keeping in mind the intent of the form (gathering sufficient information to identify the parcel and describe the conditions of the sale), county auditors may use their discretion regarding what constitutes complete information in the acreage field.

**9. Is it the intent for the area on the form identified as "# of parcels" to be the total number of parcels involved in the transaction for which the sales disclosure is being filed?**

Yes. The form provides space to show up to three parcels. If the transaction includes more than three parcels, an additional list of parcel numbers and lot sizes must be attached to the sales disclosure form.

**10. Are contract sales exempt transactions? At what point is a sales disclosure to be filled out for a contract sale?**

Contract sales are not exempt transactions and require two separate sales disclosure forms at both ends of the transaction. At the beginning of the contract (when a Contract or Memorandum thereof is recorded), a sales disclosure is to be completed. At the end of the contract term, the deed is recorded and another disclosure is to be filled out to show the conveyance of legal title. The sales disclosure filing fee applies for each transaction.

**11. In the sales data section of the form, does the meaning of "Contract Date" indicate the date of sale (closing date)?**

The Contract Date should indicate the date on which the parties agreed on the sales price. The closing date is typically some time after the contract date and so may not be indicative of the time that the price was set.

**12. On page 2 in the seller section, there is an area titled, "Title Company Name (if applicable)". Is it the DLGF's intent to have the title companies' names on all disclosure forms where title companies participated in the transaction?**

Yes. Title company information was added at the request of local officials in an effort to help with the sales validation process.

**13. The statement at the top of page 1 of the form declares that the telephone numbers placed on this form will be considered as confidential. If a form is filed without a telephone number, is the form rejected because it is incomplete or is that acceptable because of the confidentiality statement?**

Telephone numbers must be included on the form to provide contact information to local officials to help with the sales validation process. The confidentiality of phone numbers means that phone numbers should not be provided as part of public information requests for sales information.

**14. In the county auditor area at the bottom of page 2, there is an area titled, "Completion" with either yes or no. In what situation would the county auditor check "No"?**

Check "No" if the form is not completely filled out, and return the form and the unrecorded deed or other document to the filer(s) for completion.

**15. Is it required that sales disclosure filings include page 3 of the form (the instructional page)?**

No, the instructional page 3 of the form does not have to be submitted as part of the filing.

**16. In the filing of the previous sales disclosure, only one (1) signature, either buyer's or seller's was required when filing an exempt transaction. Is this practice still in place or are both signatures now required?**

One signature is acceptable if any of items 12-21 apply to the transaction.

**17. Are sales disclosure forms in a modified format acceptable?**

Modified formats are acceptable but must be approved by the DLGF. Given the number of counties that are using scanning solutions to gather sales disclosure data, it is especially important that information is located in the same place for all forms being used.

## **GOVERNOR ASKS GENERAL ASSEMBLY TO MAKE 'CIRCUIT BREAKER' PERMANENT**

Governor Joe Kernan recently proposed a 2 percent "circuit breaker" for Hoosier homeowners hit the hardest by the 2003 court-ordered property tax reassessment, and asked that a permanent safety valve for homeowners be written into the Indiana tax code.

A national study by the Minnesota Center for Public Finance shows that the average tax bill for an urban home in the U.S. with an assessed value of \$150,000 is 1.5 percent of that value. Kernan says tax bills above 2 percent of the assessed value represent an extraordinary challenge to homeowners.

As a result of Indiana's 2003 court ordered reassessment, however, thousands of Hoosier homeowners - most in Lake County - are facing property tax bills that are above 2 percent and in some cases as high as 5 percent or more.

"This is an unintended consequence of the court ordered reassessment and obviously an unfair burden for these homeowners," Kernan said. "It creates uncertainty within these neighborhoods and hurts our ability to spur job growth and investment in our communities. This circuit breaker is a step that will bring stability and certainty to the few areas of the state that have been hit the hardest by the reassessment."

The state's Property Tax Replacement Fund Board authorized a one-time advance to the counties that are eligible for the circuit breaker. Counties that choose to take the advance would reimburse the PTRF over five years, with an interest rate of 2.95 percent. If all eligible counties participate in the one-time circuit breaker program for pay '03 property tax bills, it is estimated that about \$20 million will need to be advanced from the PTRF.

Kernan emphasized that this one-time assistance from the PTRF would apply only to those annual tax bills for the reassessment year (pay '03) and only for a homeowner's residence, not rental or commercial property. He is asking counties to agree to continue the 2 percent circuit breaker for pay '04 property tax bills. However, no funds will be advanced from the PTRF for the pay '04 bills.

The permanent circuit breaker he is asking the General Assembly to put in place would be mandatory and would mean that the 2 percent circuit breaker would be calculated into all future property tax bills.

Specifically, Kernan proposed that circuit breaker would be triggered if a resident's annual tax bill is greater than 2 percent of the gross assessed value of his or her homestead. If a county chooses to provide the circuit breaker for pay '03 tax bills, it will:

- receive a one-time advance from the state's PTRF in an amount equal to the expected property tax revenue that will not be collected because of the 2 percent circuit breaker;
- provide to those residents eligible for the circuit breaker either a deduction from their pay '04 tax bills only or a direct refund, depending on how the county chooses to administer the program; and,
- reimburse the PTRF for the advanced funds over five years beginning July 1, 2005, with an interest rate of 2.95 percent.

The state's Property Tax Replacement Fund was created by the General Assembly in 1973 as part of a property tax relief package. Only property tax relief and a portion of school funding are paid from this fund. The PTRF is funded through individual income tax, sales tax and gaming tax revenues.

By statute, the PTRF Board is chaired by the commissioner of the Indiana Department of Revenue, Ken Miller. Its other members are the State Budget Director, Marilyn Schultz, and the commissioner of the state's Department of Local Government Finance, Beth Henkel, as well as two non-voting members from the General Assembly. Those two members are Rep. John Frenz and Sen. Tom Weatherwax.

According to a study completed in 2003 by the AARP Public Policy Institute, which looked at efforts to reduce residential property taxes throughout the nation, 35 states currently have circuit breakers of some type in place to protect homeowners.

Counties that choose to participate in the one-time circuit breaker program also still have the ability to offer installment payments to homeowners and waive penalties. As well, the circuit breaker does not affect homeowners' ability to appeal the assessment of their homestead.

## **PILOT 5 WORKING GROUP**

*by Kostas Poulakidas, Deputy Commissioner*

The Department has enlisted the help of a working group to implement the provisions of HB 1005 (2004). HB 1005, section 13, requires that all counties, for pay-2008, modify property tax statements to "inform the taxpayer or mortgagee clearly and accurately of the manner in which the taxes billed in the tax statement are to be used."

On June 22, the Department and the Association of Indiana Counties met with several county officials who volunteered to discuss implementing the requirements of HB 1005. At this meeting Vanderburgh Treasurer, Z Tuley, provided feedback on her experience implementing the requirements for Vanderburgh County's pay-2004 property tax bills.

While there was agreement that taxpayers need additional information on how their tax dollars are being used and by which tax units, it also became clear that implementing the requirements of HB 1005 would require significant software changes, is problematic and costly to administer, and would result in additional mailing expenses.

The group discussed that some required information could not be conveyed clearly to taxpayers, while other information needed to be added to help taxpayers understand how their property taxes are used.

After that meeting, the Department discussed with legislators involved with this provision the difficulties making these changes to treasurers' software and tax forms by 2005. HB 1005 requires the designation of five counties to serve as a pilot program to implement these new requirements, however, no county treasurer was willing to join a pilot group because of the associated difficulties and expense.

Legislators agreed that the DLGF should not designate any counties, but rather form a working group of county treasurers willing to work towards implementing the requirements of the treasurer's statement by pay-2008, if not sooner.

The working group met again in September to discuss how to best implement HB 1005 and legislative changes that could make the tax statement more effective and user-friendly.

Contact us if you are a treasurer interested in joining the group.

## **REPORT ON PROPERTY TAX EXEMPTIONS, DEDUCTIONS, AND ABATEMENTS**

*by Nancy Stassen, Operations Director*

In August, the Operations and Data Analysis Division submitted the second Report on Property Tax Exemptions, Deductions, and Abatements. The report is statutorily mandated (IC 6-1.1-33.5-2) and is submitted every two years. The report was presented to the State Budget Committee during their August meeting; copies were also provided to all legislators.

The report includes five years of data (Pay 1999 through Pay 2002) and provides state and county views of changes in the property tax base, currently totaling almost \$360 billion in gross assessed value. Data presented in the report comes from County Auditor Abstracts, summaries of assessed value and taxes charged by taxing district. It also presents an analysis of property tax exemptions, deductions, and abatements, again at both the state and county levels.

It is hoped that future reports will be based on detailed taxpayer level data rather than abstract data. Taxpayer level data is currently being provided by counties but was not available in time to be used for this report. The detail will provide additional visibility into and understanding of the state's tax base. Both are desirable for consistent and meaningful analysis necessary to support informed tax policy decisions.

Copies of the report are available upon request. The report can also be viewed on the Department's website at the following link:  
<http://www.in.gov/dlgef/whatsnew/FinalReport20040823.pdf>.

## **WELCOME NEW DLGF STAFF**

The DLGF staff has grown. Please welcome these new staff members:

Miranda Bucy, Assessor Auditor III  
Jay Edmonson, Software Specialist I  
Melissa Hardy, Assessor Auditor II  
Vikki Huntworth, Assessor Auditor III  
Aimee Johnson, Assessor Auditor  
Matt Mahan, Software Specialist III  
Dan Mathis, Director of Legislative Relations  
Pam Nix, Paralegal  
Annisa Rainey, Communications Director  
Lola Sawyer, Senior Tax Analyst  
Todd Walton, Systems Analyst

## **PROPOSED ANNUAL ADJUSTMENTS RULE**

*by Lori Harmon, Assessment  
Division Assistant Director*

The Department of Local Government Finance has finished the proposed rule on the annual adjustment of assessed values (trending) of real property that was required by IC 6-1.1-4-4.5. House Enrolled Act 1499, passed during the 2001 legislative session, required annual adjustments (trending) to real property assessments beginning with the March 1, 2006 assessment year. In 2003, the General Assembly amended the effective year to March 1, 2005.

Trending is the process of adjusting assessments for inflation or deflation during the period between general reassessments. Its purpose is to update property values to be reflective of current market values. Trending prevents large increases in real property assessed values that normally occur during a year of reassessment. It also maintains equity in assessments between real and personal property since personal property is assessed annually.

Mass appraisal systems use ratio studies and other market analyses to derive trending factors based on neighborhoods, property type, size, age, and other factors that may influence values. In Indiana, sales ratio studies will be the source of developing trending factors.

The proposed rule sets January 1, 2004 as the date of valuation for the March 1, 2005 assessment year. This means assessing officials will be trending the 2002 assessments, which were based on a January 1, 1999 date of valuation, to a value reflective of January 1, 2004. Therefore, the trending factors will reflect the inflation or deflation that has occurred over the five year period between January 1, 1999 and January 1, 2004. The assessors will be using sales occurring between January 1, 2003 and December 31, 2004 to develop trending factors to accomplish this task.

Like the equalization rule, the annual adjustment rule refers to the International Association of Assessing Officers (IAAO) Standard on Ratio Study that was distributed to all assessing officials in 2002. If you need another copy of that study, it is found at [www.iaao.org/publications/standards.html](http://www.iaao.org/publications/standards.html). The first step is to have verified and validated the sales. After those sales are entered into a sales database, ratio studies of the valid sales will be run to determine the existing level and quality of the assessment.

The statistical results produced by the sales ratio study provide information on the accuracy and uniformity of assessments and will be used in the development of trending factors. The equalization rule used for 2002 required the calculation of two statistical measures; the median sales ratio and the coefficient of dispersion (COD) about the median. The annual adjustment rule introduces an additional measure of assessment quality, the price related differential (PRD), which measures vertical equity in assessments. When assessments are not equitable along the entire value range then the assessments may be regressive or progressive.

Regressive assessments are when the low value properties are appraised at a higher percentage of market value than the high value properties. Conversely, progressive assessments are where the high-value properties are consistently assessed at a higher level than the low value properties. The draft rule prescribes a step-by-step process where:

1. Land values and neighborhood boundaries are reviewed and may be altered based on information already in the assessor's possession, such as issues that came to light through the 2002 appeals process.
2. Sales ratio studies are generated to determine the level and quality of the current assessments including the revisions from step 1.
3. If the ratio studies show sufficient uniformity (a low COD and an acceptable PRD) then an overall trending factor may be applied to the township's land and building values.
4. If the performance is less than the requirements (COD greater than 10 or PRD is outside .98 to 1.03) then the properties should be stratified by neighborhood in an attempt to isolate the factors that will generate uniform values.
5. Further stratification and adjustment by any criteria (quality, age, physical characteristics) may be used to achieve a smaller dispersion or improved ratio statistics.
6. Should these steps fail to produce a valid study as defined in 50 IAC 14 (COD below 15/20), a reassessment may be required.

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**PROPOSED RULE**  
*continued from page 8*

Some other issues addressed in the rule include:

- ◆ PTABOA will conduct a hearing to review neighborhood boundaries, land values and trending factors.
- ◆ The county assessor may take over the sales verification process if the township assessor fails to show significant progress by January 15, 2005.
- ◆ The proposed rule allows the assessor to determine that the neighborhood factors should be applied to a subset of improvements rather than all improvements provided that the application is uniform and based upon the same sales analysis. For example, sales might be analyzed so that the factor is applicable only to the house and the garage and not to other yard items or outbuildings.
- ◆ Agricultural land values are to be determined by the DLGF before January 1 annually. Rural residential home sites and improvements are to be trended in the same fashion as residential properties in the area.
- ◆ Commercial and Industrial property may be trended based upon market indices other than sales.
- ◆ Ratio studies shall be performed for the March 2005 assessment and every year forward. The property classes and requirements are similar to 2002 except that in the equalization rule, no study was required when the townships/ classes of property was less than 25. In this rule, townships or similar property classes need to be combined into larger groups to calculate the factors.
- ◆ If any trending factor is not reflected in a Form 11, trending factors must be advertised in two newspapers.
- ◆ The County Assessor shall submit ratio studies, all sales (valid and invalid) and parcel data to the DLGF as required.
- ◆ The DLGF may implement trending factors if the county fails to perform the required actions.

The legislature and the DLGF wanted to allow the assessors the flexibility to analyze the sales in various ways that allow for uniform and equitable assessments that reflect the variability that occurs in the real estate market.

As market conditions will undoubtedly vary across the state, the goal of the proposed rule is to improve the level and quality of assessment. The goal is not to specify the actual data elements in the CAMA system that the assessor will need in order to accommodate the adjustment factors.

The assessors will need to look to their software vendors to provide guidance on the options and specifics for implementation of the trending factors.

The draft rule was published in the September 2004 Indiana Register. The full text is on the Internet at this link on the Department's website: <http://www.in.gov/dlgf/whatsnew>.

The Department has accepted official public comment and held a public hearing on the proposed rule on September 30, 2004. The proposed rule has been submitted to the Legislative Services Agency for a fiscal impact study before it is adopted.

Again, this is a draft rule and public comment will be fully considered in the final rule. It is extremely unlikely that any change would be made relative to the sales to be verified. As sales verification is the most time consuming aspect of the trending, the assessors should direct their efforts toward the verification and validation of the 2003 and 2004 sales.

**PLEASE NOTE**

Hendricks County recently appointed Gail Brown as County Assessor. Gail is the former Chief Deputy Assessor. She replaces Barbara Ford who passed away in September.

Anne Schelm replaces Newton Talley as Morgan County, Gregg Township Trustee Assessor. Anne's contact information is: P.O. Box 32, Monrovia, IN 46157. Her phone number is (317) 996-6090.

The phone number for LaGrange County Assessor, Lori Carney, was incorrect on the DLGF website. The correct phone number is (260) 499-6318.

## STUDY OF UNIFORM COMPUTER SYSTEM

*by Kostas Poulakidas, Deputy Commissioner*

At the legislature's direction, the Department conducted a study on the feasibility of creating a common and uniform property tax computer system. The study evaluated our current property tax system and the various county computer systems in order to gain a better understanding of the administrative and technical problems with our property tax system and how it can be improved generally and through a uniform statewide system.

The information-gathering phase of the study included county input and insight into how our current model can be re-engineered and how a statewide system could benefit the work you do. We received survey responses from more than 100 county officials and have talked with many of you. The Department appreciates your enthusiasm for being a part of this project.

Additional research included visits with various CAMA vendors to assess the current software capabilities and to learn about future developments in assessment and tax system technology. Meetings with other states' elected officials, the Association of Indiana Counties, and the Indiana Fiscal Policy Institute were conducted as well.

To clarify one notable concern voiced by counties, this process is not about picking a vendor or mandating the use of particular software. Rather, the Department is studying existing software systems and potential systems to determine what is available and the feasibility of various methods.

The goal is to improve products available to assessors and to challenge vendors to provide superior products to Indiana and local governments.

The report, *Indiana Uniform Property Tax Management System Feasibility Study*, was recently delivered to the Commission on State Tax and Financing Policy.

The report includes an overview of existing state assessment process and software and recommendations on software approaches, integration opportunities, and implementation considerations.

It is available on our website under the "What's New" button. You may download the .pdf by using this link: <http://www.in.gov/dlgf/whatsnew>.

## STAFF CONFERENCE HONORS EMPLOYEES

During the Department's annual staff conference held in June, several DLGF staff members were honored with awards and certificates of appreciation.

*Assessment Division Field Representative Jim Hemming* was named the recipient of the prestigious Gordon E. McIntyre Service Award. He was chosen for his many years of outstanding service and continuing commitment to the agency's goals.

The award, named for a former DLGF Commissioner, recognizes an employee for exceptional service demonstrating skill and initiative in improving work methods, performance that significantly improves morale and job performance, and for meeting requirements or special workload projects that involve unexpected difficulties or demands.

*Budget Division Director Melissa Henson* received the Outstanding Leadership Award. This award recognizes an employee whose acts or achievements in leadership inspire others to improve quantity and quality of their work.

*Assessment Division Director Kurt Barrow* received the Excellence Award. The award honors an executive employee whose leadership contributions and administration of programs enhance the work efforts of the DLGF.

Director's Appreciation Certificates were bestowed on employees whose above-standard work performance merited special recognition. Those employees are:

- Steve McKinney, Assessment Division Field Staff
- Terry Knee, Assessment Division North Supervisor
- Gary Brown, Assessment Division South Supervisor
- Tom Bennington, Assessment Division Field Staff
- Linda Lessaris, Budget Division North Supervisor
- Deanne Ludwig, Budget Division ERA Specialist
- Dan Eggerman, Budget Division South Supervisor
- Pam Eustace, Budget Division Assessor Auditor
- TerriAnn Woodburn, Administrative Secretary
- Diana Boylls, Training Director

## FAREWELL, BILL WALTZ

As you may know, the Indiana Board of Tax Review recently said goodbye to its Commissioner, Bill Waltz. Bill served as the agency's commissioner for two years.

Prior to that, he spent five years as the general counsel and executive secretary to the State Board of Tax Commissioners. He has been actively involved in property tax administration since 1995.

Bill has joined the lobbying staff of the Indiana Chamber of Commerce as director of taxation and public finance.



On behalf of Governor Joe Kernan, Jon Laramore awarded Bill with the Sagamore of the Wabash, the state's highest public service honor, upon his departure.

The DLGF will miss Bill's presence at the IBTR, but we'll all look forward to working with him in his Chamber endeavors. Best wishes, Bill.

## IN MEMORIAM

Hendricks County Assessor, Barbara Ford Neher, of Danville, died September 18. Barbara was an active community servant in various capacities including Assessor for ten years and Hendricks County Council member from 1988 to 1994. Barbara, respected throughout the community, died after a year-long battle with acute lymphocytic leukemia.

Grant County Council member, Paul G. Baker, died September 17. Paul was a self-employed farmer and cattleman, and a longtime member of the Grant County Council.

## CONSERVATION EASEMENT ASSESSMENTS

The Indiana Conservation Easement Act set forth in IC 32-23-5-1 provides for the creation of non-possessory interests in real property for the purpose of preserving various cultural, natural, scenic, or historic aspects of real property. The donation of such an easement may entitle the donor to an income tax deduction.

IC 32-23-5-8 provides "real property that is subject to a conservation easement shall be assessed and taxed on a basis that reflects the easement."

At the recent request from the Historic Landmarks Foundation of Indiana, Inc., the DLGF provided guidelines for determining how the assessment shall reflect the existence of a conservation easement.

The guidelines are limited to conservation easements having a purpose of "preserving the historical, architectural, archeological, or cultural aspects of real property" pursuant to IC 32-23-5-2(5). The valuation of the donation of a conservation easement for income tax deduction purposes is the fair market value of the perpetual conservation restriction at the time of contribution. (See Treas. Reg. 1.170A-14(h)(3)(i)).

In most cases, the fair market value of the contribution will be equal to the difference between the fair market value of the property before granting the restriction and the fair market value of the encumbered property after granting the restriction.

For income tax purposes, a taxpayer claiming a deduction for the contribution of a conservation easement must maintain written records of the fair market value of the underlying property before and after the donation. (See Treas. Reg. 1.170A-14(i)).

It is the Department's opinion that it is appropriate for an assessing official to factor in the reduction in fair market value of the real estate, if any, resulting from the donation of a conservation easement in determining the assessed value of that real estate, if properly documented.

Proper documentation would consist of an appraisal that complies with the Uniform Standards of Appraisal Practice (USPAP) issued by the Appraisal Foundation.

## LEGISLATIVE SUMMARY

**Dan Mathis, Director of Legislative Relations**

Legislative study committees have been meeting for several months, with most having a duty to report by November 1. Several of the study committees are long-standing, while HEA 1005 (2004) created two that are temporary and focused on issues of local government financing.

HEA 1005 (2004) established the Property Tax Replacement Study Commission to study eliminating net property tax levies by 50%, 75%, and 100% (complete elimination of the property tax), and to report by the end of the year. In its six meetings, the Commission has studied reducing property tax levies, while also considering other steps to improve how local government is financed.

The Legislative Services Agency has prepared the following estimates of how property taxes might be replaced, using: 1) just an increase in income tax, 2) just an increase in sales tax, or 3) an increase in sales tax combined with expanding those services subject to sales tax.

Property Tax Reduction	Income Tax	Sales Tax	Sales Tax with Services
100% elimination	8.0%	13.4%	9.6%
75% elimination	6.8%	11.5%	8.2%
50% elimination	5.7%	9.6%	6.9%
Current law	3.4%	6.0%	not applicable

HEA 1005 (2004) also established the two-year Local Government Efficiency and Financing Study Commission. This Commission will issue reports in 2004 and 2005 regarding local government financing, consolidation issues, local charter governments, and efforts in Allen and Vanderburgh Counties to restructure local government.

The August meeting focused on Indy Works, a proposal from Indianapolis Mayor Bart Peterson to consolidate law enforcement, fire services, assessment, poor relief, and budgeting in Marion County.

The Commission on State Tax and Financing Policy met in Gary in June to hear testimony on the Lake County reassessment. At the Commission's final meeting, it considered some suggestions for legislative change offered by the DLGF. For more information on the status of study committees and Indiana's legislative process, consult <http://www.in.gov/legislative/>.

## RULES UPDATE

**Heather Scheel, General Counsel**

### **LSA Doc. # 02-297 Governing annual adjustments of real property interim general reassessments**

The Notice of Intent was published in the *Indiana Register* November 1, 2002, and the Proposed Rule was published in the *Indiana Register* September 1, 2003. The Public Hearing was held September 30, 2004. The Department intends on adopting in early November.

To view the proposed rule, follow this link: <http://www.in.gov/legislative/register/Vol27/12Sep/08/P050020297.PDF>.

Thanks to all of the assessing officials who submitted public comment. Most comments went to the implementation and timing concerns of this rule being applicable for 2005 pay 2006.

### **LSA Doc. # 02-343 Governing the distribution of property taxes in a Certified Technology Park**

The Department of Local Government Finance and the State Board of Accounts agreed to withdraw this rule in an effort to address another similar issue. The rule will be withdrawn in the October 2004 *Indiana Register*. The agencies will file a new notice of intent to amend the current Tax Increment Finance Rule under 50 IAC 8, as well as incorporate new Certified Technology Park provisions as they are similar types of property.

### **LSA Doc # 04-174 Governing the per diem allowances to attend assessing training classes**

The Department and Rules Panel adopted the rule August 27, 2004. It is awaiting submission to the Indiana Attorney General for approval.

This newsletter is published by the Department of Local Government Finance.  
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